

**CALENDAR ITEM
C46**

A 37, 58

02/02/04
W 9603.117
M. LeClair
D. Mercier

S 33, 37

**CONSIDER APPROVAL OF THE
PROPOSED SALE OF ROYALTY CRUDE OIL,
OIL AND GAS LEASE NOS. PRC 3033 AND
PRC 3095, HUNTINGTON BEACH AND BELMONT
OFFSHORE FIELDS, ORANGE COUNTY, TO THE
HIGHEST RESPONSIBLE BIDDER**

APPLICANT:

California State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

BACKGROUND:

At this present time, the State is receiving payment in money from Nuevo Energy, its lessee, for its royalty share of the crude oil (approximately 442 B/D) from two State Oil and Gas Leases, Nos. PRC 3033 and PRC 3095, Huntington Beach and Belmont Offshore fields respectively, in Orange County. Nuevo Energy is presently paying the State a price calculated pursuant to an agreement designed to comply with the royalty valuation provisions of the leases. Staff believes that the State would realize a higher price for its royalty crude oil if it were to take its royalty share of crude oil in kind and sell it by competitive bidding. Because of the long lead-time of 180 days as required by the lease term, we need to initiate the process for competitive bidding as soon as possible. The royalty crude oil will be sold under one contract with a minimum required bonus bid of \$0.60 per barrel.

Public Resources Code section 6815.1 governs the sell-off of royalty oil and provides that when oil is taken in kind by the Commission, it shall be sold only to the highest responsible bidder upon competitive public bidding and the bidding shall be pursuant to specifications and forms adopted by the Commission prior to publication of the notice to bidders. Staff recommends that the Commission, at

CALENDAR PAGE
MINUTE PAGE

CALENDAR ITEM NO. **C46** (CONT'D)

this time, authorize the sale of royalty crude oil from the leases listed on Exhibit A and adopt the specifications for the sell-offs which are listed on Exhibit B, both of which are attached to this calendar item. Staff also recommends that the Commission adopt the forms it has prepared for use in the sell-offs, which are the notice inviting bids, bid proposal, and the crude oil sales contracts, copies of which are on file in the Commission's office in Long Beach.

After the bids are received and the highest responsible bidders are determined, staff will return to the Commission with a recommendation regarding the award of the sales contracts. The oil will be delivered without any change in the existing oil production and transportation facilities.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. List of Oil and Gas Leases
- B. Specifications for Sales

PERMIT STREAMLINING ACT DEADLINE:

N/A.

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

CALENDAR ITEM NO. **C46** (CONT'D)

AUTHORIZATION:

AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES LISTED ON EXHIBIT A, ATTACHED HERETO.

ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT B, ATTACHED HERETO, AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES LISTED IN EXHIBIT A, ATTACHED HERETO.